

Financial History¹

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The considerable renewal of interest in all aspects of financial history over recent years provided one motivation for this new venture.² Yet, the foundations for our specialism, which draws from both History and the Social Sciences, especially economics, have been laid by many. Some would point to continuity in our interest from the publication in the 1930s of jubilee banking history volumes, such as those written for British institutions by Gregory, and by Crick and Wadsworth.³ Further scholarly momentum came from the studies in comparative banking history undertaken by researchers inspired and brought together by Rondo Cameron from the mid-1960s.⁴ Upon these footings and others,⁵ financial history has since ‘taken off’ to address an increasingly wider range of issues. This considerable broadening of the specialism, ironically, almost coincided with the decline and then the eventual demise in 1987 of the *Revue Internationale d’Histoire de la Banque*, founded in 1968. This is not the place to draw up a balance sheet of that journal, which has played a decisive role. Its demise, however, left a gap. *Financial History Review* aims not only to take up its cause, but also to widen the scope of publishing in the field – from

¹ We are grateful to Geoffrey Jones for reading and commenting upon an earlier draft of this piece.

² One indication of the current position of the subject is the synthesis for Europe by C. P. Kindleberger, *A Financial History of Western Europe* (London, 1984), while another, but with the same geographical limitations, is R. Bogaert, G. Kurgan van Hentenryk and H. van der Wee [sous la direction de H. van der Wee], *La Banque en Occident* (Antwerp, 1991).

³ T. E. Gregory, *The Westminster Bank through a Century*, 2 vols (London, 1936); W. F. Crick and J. E. Wadsworth, *A Hundred Years of Joint Stock Banking* (London, 1936) [a history of the Midland Bank and its progenitors].

⁴ R. Cameron, *Banking in the Early Stages of Industrialisation: A Study in Comparative Economic History* (Oxford, 1967); and idem (ed.), *Banking and Economic Development: Some Lessons of History* (New York, 1972).

⁵ Inspirational studies, which opened up the ground, include: L. S. Pressnell, *Country Banking in the Industrial Revolution* (Oxford, 1956); D. S. Landes, *Bankers and Pashas: International Finance and Economic Imperialism in Egypt* (London, 1958); J. Bouvier, *Le Crédit Lyonnais de 1863 à 1882: les années de formation d’une banque de dépôts*, 2 vols (Paris, 1961); and M. Lévy-Leboyer, *Les Banques européennes et l’industrialisation internationale dans la première moitié du XIXe siècle* (Paris, 1964).

banking to financial history – in order to offer the fullest possible support for continuing research.

One characteristic of the new dynamism within financial history has been the cementing of closer links between its academic practitioners and the practical world of banking and finance. The European Association for Banking History provides some of the most telling evidence. Founded in November 1991 in Frankfurt, largely as a result of the energies of Professor Dr Manfred Pohl, its objective is to promote dialogue between European scholars and bankers. The Association's financial support has been decisive in making this journal possible, for which the editors wish to express their gratitude.

I

Increasing specialisation within the practice and writing of history, leading possibly to introversion, has rightly become a growing cause of concern. This fragmentation is no longer confined to divisions between major areas – political, economic and social, the history of international relations as well as the history of religions, or of science and technology. Even these now have their sub-specialities. Economic and social history, for example, itself straddling the frontier between the humanities and the social sciences, has not only largely split into two major fields but has also generated new, almost autonomous studies devoted to a particular aspect, such as business, labour, transport and the urban realm, each with their own particular groups of dedicated scholars, increasingly formalised through associations, conferences and journals. Specialisation has its benefits, arising from 'the division of labour', but none the less may cause myopia and, consequently, if taken to excess is dangerous. Moreover, it runs the risk of isolating historians from a wider readership, including policy-makers, at a time when history should play its proper role in assisting understanding of a very rapidly changing world. Why, then, should a new journal of financial history be published, which might further increase such separatism? The editors of *Financial History Review* have carefully considered the problems involved before they concluded that its launch would have a positive outcome. Merely regretting the days of the broad syntheses and looking back, with some wringing of hands, is not a serious alternative. The advance of historical research has greatly improved the understanding of the past and sustaining its pace calls for a certain degree of specialisation. There is no easy or obvious compromise, since the very question of the role of history in society is at stake. Yet, appreciating the underlying, fundamental difficulties has assisted in establishing some sound guiding principles to avoid the pitfalls of blind specialisation.

One was to ensure that this journal was concerned with the broadest possible historical time-span to embrace all of humankind's material experience. Consequently its chronological concern is wide – from the classical to the contemporary – in order not to lose sight of both long-term continuity and the recurrence of certain themes, alongside change and structural development which by their very

nature call for attention. Similarly, its geographical scope is global, with a commitment to publish international and comparative studies as well as those with a national, regional or local focus. Finally, it is intended that the themes considered within its covers should not be unduly restrictive. Although the economic aspects of banking, finance and monetary matters will no doubt form the journal's backbone, contributions addressing cultural and social aspects will equally find their proper place, together with those analysing the interrelations between politics and finance.

Beyond its committed specialists, financial history is often regarded as the narrowest, most specialised area of history and, above all, a rather arid technical field, apparently thereby providing one of the best examples of excessive specialisation. However, the editors are convinced that very much the opposite is the case, and one of the objects of this editorial, and of this journal, is to provide some demonstration. Financial history is an extremely rich and varied vein of History, which, despite the now clearly marked boundaries within the subject, directly impinges upon all of its domains. Reflecting upon some facets of recent research, this opportunity has been taken to outline the great relevance of financial history to business history, economic history, international history, social history and political history.

II

Financial institutions originated as private undertakings and have largely remained so in most industrialised countries, the nationalisation of the French commercial banks and insurance companies in 1945 and 1946 being the most conspicuous exception. Financial institutions, particularly banks, have also come to feature amongst the largest companies. Comparisons with industrial undertakings are fraught with danger, but, to give a few indicative examples, the largest German concern, measured by paid-up capital, in 1907 was not Krupp but the Deutsche Bank, while in France it was the *Crédit Lyonnais*. As business enterprises, financial institutions had partners, then increasingly shareholders, directors and managers. In their development and evolution senior managements have been continually confronted with strategic choices, arising from growing, or falling, profits or mergers or failures. There are therefore very valid reasons, arising from size, structure and purpose, to approach the study of their growth and development within the framework of business history. However, it has equally to be admitted that financial institutions, particularly banks, have characteristics which may set them apart to some degree from other business enterprises.

In the first place, the state, perhaps especially in the twentieth century, has given particular regard to the financial sector. One clear illustration is the attitude of a government towards a foreign take-over bid for a major commercial bank. Even in a society as liberal as Britain in such matters, the authorities have generally opposed the absorption of domestic institutions by foreign concerns. Whereas foreign banks have been welcome within the United Kingdom, setting up branches from the

1870s and allowed to compete for domestic business, until very recently they have not been permitted to acquire a major British commercial bank. This stance of the state only changed from 1986 when the National Australia Bank took over the Scottish and Ulster subsidiaries of the troubled Midland Bank and then the Yorkshire Bank, a provincial clearer. In the most recent case, of the Midland Bank itself, one of the 'Big Four' clearing banks, the foreign suitor – the Hongkong and Shanghai Banking Corporation – was regarded as an acceptable marriage partner both because of the British influence within its ownership and management since its foundation in 1865, and the recent shift of its domicile from Hong Kong to the United Kingdom.

One of the reasons for such sensitivity displayed on the part of the state is the central role played by large banks within the economy, particularly over the last century. Whatever the degree of diversification, the wider sphere of influence of most industrial companies, even many of the multinationals of the last quarter of the twentieth century, is necessarily more circumscribed than that of a major bank. Through its innumerable customers coming from all economic sectors and all ranges of society, a bank thereby acquires particular, close knowledge of the entire industrial and commercial spectrum. Another difference is that, by definition, a bank works with the financial resources of others. The safety of deposits has come to be a major concern for the authorities. As a result, they have to resolve the arising problem of their degree of responsibility for ensuring that, more than in the case of any other business enterprise, banks may not fail, or at least their depositors have some security. This in turn has led to concern over the nature and structure of assets held by banks and other financial institutions. Swedish banks, for example, have been the subject of such central, state supervision for almost the entire twentieth century, following the establishment of a Bank Inspectorate in 1907, which compiled a register of bank loans from 1917.⁶

It must also be said that historians themselves have not considered banks to be like other businesses. Following Alfred Chandler's monumental work,⁷ the major debate in business history over the last two or three decades has centred around the strategy and structure of the large companies. However, until most recently, banks have been completely excluded from these discussions and the research that has thereby been generated, in part because Chandler's concern was the modern industrial enterprise, especially in capital-intensive sectors. Instead, generally, banking has been approached simply as the execution of an economic function – as inter-

⁶ See M. Larsson, 'Government subsidy or internal restructuring? Swedish commercial banks during the crisis years of the 1920s', and H. Sjögren, 'Swedish commercial banks: the distribution of their advances by economic sectors and geographical regions', both in P. L. Cottrell, H. Lindgren and A. Teichova (eds), *European Industry and Banking Between the Wars: A Review of Bank-Industry Relations* (Leicester, 1992).

⁷ A. D. Chandler, Jr, *Strategy and Structure* (Cambridge, Mass., 1962); *The Visible Hand: The Managerial Revolution in American Business* (Cambridge, Mass., 1977); and *Scale and Scope* (Cambridge, Mass., 1990).

mediation between lenders and borrowers, especially in terms of how efficiently this has been performed – rather than as a business. Furthermore, this approach of scholars has not been confined solely to banks, but has applied to the entire financial sector.⁸

Nevertheless, over the last 20 years or so the business history of financial institutions has developed considerably as a genre in its own right. Company histories are no longer, or rather less often, monographs uncritically written for a 50th or a 100th anniversary. Increasingly, banks and other financial companies have commissioned professional historians to undertake the task, following the example set somewhat earlier by industrial concerns. There remain, however, marked differences between national experiences. Britain undoubtedly led the way: as early as 1936, the Westminster Bank celebrated its first centenary with a two-volume history penned by the distinguished economist and economic historian T. E. Gregory,⁹ while the Bank of England commissioned Sir John Clapham for its 250th birthday in 1944.¹⁰ Richard Sayers wrote the history of Lloyds Bank in 1957,¹¹ and P. G. M. Dickson that of Sun Insurance in 1960.¹² Thereafter this trend has intensified, particularly with respect to merchant banks and foreign and colonial banks, with the histories of Morgan Grenfell, Schroders,¹³ the massive four-volume history of the Hongkong and Shanghai Bank,¹⁴ and the two-volume history of the British

⁸ However, this is not to deny that such an approach, applying the work of, for instance, J. G. Gurley and E. S. Shaw (*Money in a Theory of Finance*, Washington, DC, 1960), led to a greater understanding, as exemplified by that of Cameron and his associates. For a recent review of their contribution, see S. Pollard and D. Ziegler, 'Banking and industrialization: Rondo Cameron twenty years on', in Y. Cassis (ed.), *Finance and Financiers in European History, 1880–1960* (Cambridge/Paris, 1992).

A recent change in the interest of business historians is indicated by a recent number of *Business History*, 33.3 (July 1991), edited by G. Jones, which was a special issue on Banks and Money: International and Comparative Finance in History.

⁹ Gregory, *Westminster Bank*.

¹⁰ Sir J. H. Clapham, *The Bank of England: A History*, 2 vols (Cambridge, 1944). This was followed by Sayers' equally fine continuation, *The Bank of England 1891–1944*, 3 vols (Cambridge, 1976). The Bank has turned to 'insiders' for its most recent considerations of its continuing development; see most particularly J. Fforde, *The Bank of England and Public Policy, 1941–1958* (Cambridge, 1992), but also E. Hennessy, *A Domestic History of the Bank of England 1930–1960* (Cambridge, 1992). This has been complemented, but for the nineteenth century, by the recently published doctoral work of D. Ziegler: *Das Korsett der 'Alten Dame'. Die Geschäftspolitik der Bank of England 1844–1913*, Schriftenreihe des Instituts für bankhistorische Forschung e. V., 15 (Frankfurt-a.-M., 1990); and, translated by E. Martin, *Central Bank, Peripheral Industry: The Bank of England in the Provinces 1826–1913* (Leicester/London, 1990).

¹¹ R. S. Sayers, *Lloyds Bank in the History of English Banking* (Oxford, 1957).

¹² P. G. M. Dickson, *The Sun Insurance Office, 1710–1960* (London, 1960).

¹³ K. Burk, *Morgan Grenfell 1838–1988: The Biography of a Merchant Bank* (Oxford, 1989); R. Roberts, *Schroders: Merchants & Bankers* (1992).

¹⁴ F. H. H. King, *The History of The Hongkong and Shanghai Banking Corporation*, vol. I: *The Hongkong Bank in Late Imperial China 1864–1902: On an Even Keel* (Cambridge, 1987); vol. II: *The Hongkong Bank in the Period of Imperialism and War, 1895–1918: Wayfoong, the Focus of Wealth* (Cambridge, 1988); vol. III: *The Hongkong Bank between the Wars and the Bank Interned, 1919–1945: Return from*

Bank of the Middle East.¹⁵ Companies engaged elsewhere in the financial sector have also now followed this path, insurance being represented by the histories of the Royal Exchange, Phoenix and the Provincial;¹⁶ the Stock Exchange with the histories of firms such as Foster & Braithwaite and Cazenove;¹⁷ and the financial press with the centenary history of the *Financial Times*,¹⁸ an essential part of the financial scene in twentieth-century Britain.

The development of banking in the countries that once constituted the British dominions and colonies has also been reviewed through the production of professionally researched monographs, together with openly declared celebratory pieces. Many of these built upon the surveys of Baster, published from 1929,¹⁹ and syntheses are still a characteristic, particularly of Canadian work.²⁰ In some contrast, there has been a flow of books concerned with the growth and development of particular banks, and other financial institutions, in Australia and New Zealand.²¹ The writing of the histories of British banks in Africa has run directly in parallel with that of the domestic 'clearers'.²² A rather different perspective is provided by

Grandeur (Cambridge, 1988); and vol. IV: *The Hongkong Bank in the Period of Development and Nationalism, 1941–1984: From Regional Bank to Multinational Group* (Cambridge, 1991).

¹⁵ G. Jones, *The History of the British Bank of the Middle East*, vol. I: *Banking and Empire in Iran* (Cambridge, 1986); and vol. II: *Banking and Oil* (Cambridge, 1987).

¹⁶ B. Supple, *The Royal Exchange Assurance: A History of British Insurance 1720–1970* (Cambridge, 1970); C. Trebilcock, *Phoenix Assurance and the Development of British Insurance*, vol. I: 1782–1870 (Cambridge, 1987); O. Westall, *The Provincial Insurance Company 1903–1938: Family, Market and Competitors* (Manchester, 1993).

¹⁷ W. J. Reader, *A House in the City: A Study of the City and the Stock Exchange based on the records of Foster & Braithwaite 1825–1975* (London, 1979); D. Kynaston, *Cazenove & Co: A History* (London, 1991).

¹⁸ D. Kynaston, *The Financial Times* (London, 1988).

¹⁹ A. J. Baster, *The Imperial Banks* (London, 1929); idem, *The International Banks* (London, 1935).

²⁰ R. Rudin, *Banking en français: The French Banks of Quebec, 1835–1925* (Toronto, 1985); A. B. McCullough, *Money and Exchange in Canada to 1900* (Toronto, 1984); but see also D. Merrill, *Canada's First Bank: A History of the Bank of Montreal*, 2 vols (Toronto, 1966).

²¹ S. J. Butlin, *Australia and New Zealand Bank, The Bank of Australasia, and the Union Bank of Australia, 1828–1951* (London, 1961); J. D. Bailey, *A Hundred Years of Pastoral Banking* (Oxford, 1966); R. Gollan, *The Commonwealth Bank of Australia: Origins and Early History* (Canberra, 1968); R. J. Holder, *Bank of New South Wales*, 2 vols (Sydney, 1970); G. R. Hawke, *Between Governments and Banks: A History of the Reserve Bank of New Zealand* (Wellington, 1973); M. French, *A Century of Homemaking: A History of the Toowoomba Permanent Building Society, 1875–1975* (Toowoomba, 1979); G. Blainey and G. Hutton, *Gold and Paper: A History of the National Bank of Australasia Limited* (South Melbourne, 1983); and D. Merrett, *ANZ Bank* (Sydney, 1985).

²² *A Banking Centenary: Barclays Bank (Dominion, Colonial and Overseas), 1836–1936* (London, 1936) – although predated by G. T. Amphlett, *History of the Standard Bank of South Africa Ltd, 1862–1913* (Glasgow, 1914); idem, *A Bank in Battledress* (London, 1948); and Sir J. Crossley and J. Blandford, *The DCO Story* (London, 1975); while reference should also be made to *Standard Bank, 1892–1967: Three Quarters of a Century of Banking in Rhodesia* (Salisbury, 1967) and J. A. Henry, *The First Hundred Years of the Standard Bank* (London, 1963).

On other British 'imperial' banks in Africa, see G. Tyson, *100 Years of Banking in Asia and Africa* (London, 1963); and R. Fry, *Bankers in West Africa* (London, 1976).

Bagchi, who has commenced the task of writing a history of the State Bank of India, beginning with its British colonial progenitors, of which the first two volumes have appeared.²³

Company monographs of a high academic standard are still relatively rare in continental Europe, although the analysis of the early years of the *Crédit Lyonnais* by Jean Bouvier, published in 1961, remains one of the best of its kind. Bertrand Gille's study of the experience of the French Rothschilds up to 1870 is still unsurpassed and Alain Plessis's three-volume history of the *Banque de France* under the Second Empire also provides a model for emulation.²⁴ Yet it is only recently that European banks have started to turn to professional historians, most particularly the French 'banques d'affaires' – the *Banque de l'Indochine*, now part of Indosuez, and the *Banque de Paris et des Pays-Bas*.²⁵ German institutions, for a long time as secretive as the Swiss,²⁶ have followed suit, with a scholarly history of the private bank *Sal. Oppenheim jr. & Cie.*²⁷ and the forthcoming collective history of the *Deutsche Bank*, commissioned for the 125th birthday of the bank. Major banks in Italy and Spain have also asked suitably qualified professionals to analyse their past.²⁸ Smaller European countries, such as Austria, Belgium or Sweden, have been more advanced, as exemplified by the histories of the *Credit-Anstalt*, the *Kredietbank* and the *Stockholms Enskilda Bank*.²⁹ Other financial activities, however, have hardly been touched upon.

²³ A. K. Bagchi, *The Evolution of the State Bank of India: The Roots, 1806–1876: pt I: The Early Years, 1806–1860; pt II: Diversity and Regrouping, 1860–1876* (Bombay, 1987).

²⁴ J. Bouvier, *Le Crédit Lyonnais de 1863 à 1882*; B. Gille, *Histoire de la Maison Rothschild*, 2 vols (Geneva, 1965, 1967); A. Plessis, *La Banque de France et ses deux cents actionnaires sous le Second Empire* (Geneva, 1982); *Régents et Gouverneurs de la Banque de France sous le Second Empire* (Geneva, 1985); and *La Politique de la Banque de France sous le Second Empire* (Geneva, 1985).

²⁵ M. Meuleau, *Des pionniers en Extrême-Orient: la Banque de l'Indochine, 1875–1985* (Paris, 1989) [The path-breaking study of the Banque de l'Indochine by the Japanese scholar, Gonjo, has recently been published as a translation into French]; E. Bussière, *Paribas. L'Europe et le monde* (Antwerp, 1992).

²⁶ An early exception, but of the jubilee kind, is W. A. Jöhr, *Schweizerische Kreditanstalt, 1856–1956* (Zürich, 1956), and there is also H. Bauer, *Société de banque Suisse 1872–1972* (Basel, 1972).

²⁷ M. Stürmer, G. Teichman and W. Treue, *Wägen und Wagen. Sal. Oppenheim jr. et Cie. Geschichte einer Bank und einer Familie* (Munich/Zürich, 1989). A version in English is currently being prepared.

²⁸ J. L. Garcia and G. Tortella have been commissioned to write a history of the Banco Hispano-Americano and the Banco Central, which merged in 1992 to form the Banco Central Hispano. A professionally written history will be part of the forthcoming jubilee of the Banca Commerciale Italiana.

²⁹ E. März, *Oesterreichische Industrie- und Bankpolitik in der Zeit Franz Josephs I. Am Beispiel der k.k. priv. Oesterreichischen Credit-Anstalt für Handel und Gewerbe* (Vienna, 1968); idem, *Oesterreichische Bankpolitik in der Zeit der grossen Wende 1913–1923* (Vienna, 1981), trans. C. Kessler as *Austrian Banking and Financial Policy. Creditanstalt at a Turning Point, 1913–1923* (London, 1984). H. van der Wee and M. Verbeyt, *Mensen maken Geschiedenis. De Kredietbank en de Economische Opgang van Vlaanderen 1935–1985* (Brussels, 1985), with an abridged, French version: *Les Hommes font l'histoire*:

There is a rich American literature on the development of banks, underpinned by a substantial number of doctoral theses, yet until the 1970s, as Cameron has commented, 'much of the emphasis [was] on the political rather than the economic aspects.' The decentralised 'unit' structure of the system has also had its effects. Syntheses are now coming forward, as with James's treatment of the correspondent banking network during the last quarter of the nineteenth century and Lamoreaux's study of banking in New England. Alongside these have appeared since the mid-1980s studies of both the private banks who maintained their dominant position through to the twentieth century, as with Morgans, and joint stock banks, some of whose origins date from the closing decades of the eighteenth century.³⁰

It has become fashionable to criticise company monographs, however seriously written, for being too limited in their focus, overblown with details and with very little in the way of generalisation. This is only partly valid, as only the framework and apparatus of a monograph offers the possibility of an in-depth analysis of all aspects of a company's development. The criticism would be more telling if banking history, conceived as business history, was confined to company monographs. This is not the case. Although there has been no major attempt at theorising the development, as opposed to the function, of financial institutions, certain types of financial activity have been approached through the collective experience of a number of institutions, for example multinational banks and merchant banks in Britain.³¹

III

Financial history is intimately connected with the theme which has dominated economic history since the earliest days of the emergence of the discipline: economic growth and industrial development. The contribution of banking has fascinated generations of historians, economists and theorists. Hilferding's theory of

La Kredietbank et l'essor économique de la Flandre 1935–1985. O. Gasslander, *Bank och industrifall genom brott, Stockholms Enskilda Bank kring sekelskiftet 1900*, 2 vols (Stockholm, 1956, 1960), translated as *History of Stockholms Enskilda Bank to 1914*; U. Olsson, *Bank, familj och företagande. Stockholms Enskilda Bank 1946–1971* (Stockholm, 1986); H. Lindgren, *Investmentbolag och bankfirma, Stockholms Enskilda bank 1924–45* (Stockholm, 1987); and R. Lundström, *Bank och utlandsaffärer* (Stockholm, 1990): see also E. Söderlund, *Skandinaviska Banken. I det Svenska Bankväsendets Historia, 1864–1914* (Stockholm, 1964); G. Thunberg, *Uplandsbanken 1865–1965* (Uppsala, 1965); K.-G. Hildebrand, *I omvandlingens tjänst. Svenska Handelsbanken 1871–1971* (Stockholm, 1971); E. Söderlund, *Skandinaviska Banken i det svenska bankväsendets historia 1914–39* (Uppsala, 1978); and K. Ullenhag, *Vägan mot fusionene. Uplandsbanken 1965–85* (Uppsala, 1990).

³⁰ J. A. James, *Money and Capital Markets in Postbellum America* (Princeton, NJ, 1978); N. Lamoreaux, *Insider Lending: Banks, Personal Connections and Economic Development in Industrial New England 1789–1912* (Cambridge, 1994); and see also R. Sylla, 'The United States, 1863–1913', in Cameron (ed.), *Banking and Economic Development*; V. P. Carosso, *The Morgans: Private International Bankers, 1854–1913* (Cambridge, Mass., 1987); H. Van B. Cleveland and T. F. Huertas, *Citibank 1812–1970* (Cambridge, Mass., 1985); J. D. Wilson, *The Chase* (Boston, Mass., 1986).

³¹ G. Jones (ed.), *Banks as Multinationals* (London, 1990); idem, *British Multinational Banking 1830–1990* (Oxford, 1993); S. D. Chapman, *The Rise of Merchant Banking* (London, 1984).

finance capital³² or Gerschenkron's approach in terms of economic backwardness,³³ for example, have inspired innumerable studies of both an empirical and a speculative character. Some, most notably those of Rondo Cameron and his associates, have in turn re-opened debate and generated new rounds of research.³⁴

The relationship between finance and industry has continued to attract much attention from historians, as witnessed by the considerable number of conferences recently held on the subject. This is certainly due not only to the continuing importance of that relationship, but also because some of the issues have remained open-ended controversies, for example the respective merits of deposit banking and universal banking, or the financing of small and medium-sized companies. These discussions, like all debates over historical issues, have been affected by differences and changes in theoretical and methodological approaches, as well as by diverging ideological and political standpoints. But the field has also been left open to more general discussion because of a still far from complete knowledge of the subject, in particular for the crucial period from the mid-nineteenth to the mid-twentieth century, and until very recently the often forced reliance on secondary material, such as textbooks, treatises and other contemporaneous analyses. However, change is in the air. In most European countries, thoroughly grounded empirical research, arising from greater accessibility of the archives of banking³⁵ or industrial compan-

³² R. Hilferding, *Das Finanzkapital* (Vienna, 1910), translated as *Finance Capital: A Study of the Latest Phase of Capitalist Development* (London, 1981). For a critique, see H. A. Winkler (ed.), *Organisierter Kapitalismus. Voraussetzungen und Anfänge* (Göttingen, 1974); and V. Wellhöner, *Großbanken und Großindustrie im Kaiserreich* (Göttingen, 1989).

³³ A. Gerschenkron, 'Economic backwardness in historical perspective', in B. Hoselitz (ed.), *The Progress of Underdeveloped Areas* (Chicago, 1952), reprinted in Gerschenkron, *Economic Backwardness in Historical Perspective* (New York, 1965).

For aspects of the critique, see S. L. Barsby, 'Economic backwardness and the characteristics of development', *Journal of Economic History*, 29 (1969); Cameron, *Banking and Economic Development*; D. Good, 'Backwardness and the role of banking in nineteenth century European industrialization', *Journal of Economic History*, 33 (1973); R. Sylla, 'Financial intermediaries in economic history: quantitative research on the seminal hypotheses of Lance Davis and Alexander Gerschenkron', in R. E. Gallman (ed.), *Recent Developments in the Study of Business and Economic History* (Greenwich, Conn., 1977); R. Tilly, 'Banking institutions in historical and comparative perspective: Germany, Great Britain and the United States in the nineteenth and early twentieth century', *Journal of Institutional and Theoretical Economics*, 145 (1989); R. Sylla and G. Toniolo (eds), *Patterns of European Industrialization* (1991); and H. Lindgren, 'Introduction: the research agenda and its intellectual setting', and A. Teichova, 'Rivals and partners: reflections on banking and industry in Europe 1880–1938', both in Cottrell et al. (eds.), *European Industry and Banking*.

³⁴ Cameron's Report to the V International Congress of Economic History, 'Banking and credit as factors in economic growth' (Leningrad, August 1970), indicated that it was the first such meeting of the profession to have a session devoted specifically to banking and credit, but pointed to antecedents from the first (Stockholm) congress, then running on through the Aix-en-Provence (where Cameron contributed 'Theoretical bases of a comparative study of the role of financial institutions in the early stages of industrialisation'), Munich and Bloomington meetings.

³⁵ For one general example, see L. S. Pressnell and J. Orbell, *A Guide to the Historical Records of British Banking*, Business Archives Council (Aldershot, 1985). For its part, the Banca Commerciale Italiana has begun to publish a series of guides to its archives, as with *Collana Inventari*, Serie I, I, *Presidenza*

ies, has reopened the question of the actual behaviour of banks towards industry and the degree of dependence of industrial companies on external funds, whether obtained from the banks or from the capital markets. Three main trends can be detected.

Firstly, banks have on the whole been absolved from the sin of 'failing' industry. This is particularly true of the two countries where such accusations had been most persistent: France and Britain.³⁶ In both countries external finance, whether provided by the banks or more generally by the public markets, appears to have been adequate to complement what was, as everywhere else, the major source of funds for industrial firms: self-finance. On the other hand, recent research on the finance of the major German industrial concerns has considerably played down the role of banks.³⁷ This has led to a partial revision of the traditional wisdom in the literature contrasting starkly the British model, epitomising deposit banking, and the German model, epitomising universal banking. Secondly, the roles played by such institutions as local and regional banks, savings banks and popular banks are being re-evaluated.³⁸ They now appear to have been decisive in the crucial question of the financing of small and medium-sized companies, undertakings whose relationships with the large banks have always been contentious. Large banks, in all countries, have tended to favour large industrial concerns to the neglect of lesser companies. The persistence of a decentralised banking system may have been an

E Consiglio Di Amministrazione (1894–1934) (Milan, 1990); Serie VI, III, *Società Finanziaria Industriale Italiana (Sofindit)* (Milan, 1991). Each annual volume of *Financial History Review* will contain an article discussing banking and financial archives.

³⁶ A. Plessis, 'Les banques, le crédit et l'économie', in M. Lévy-Leboyer and J.-Cl. Casanova (eds), *Entre l'état et le marché: l'économie française de 1880 à nos jours* (Paris, 1991), and the special issue of *Entreprises et Histoire*, 1.2 (1992) edited by Alain Plessis. For a survey of the current position of research on the UK see M. Collins, *British Banks and Industrial Finance before 1939* (London, 1990).

³⁷ On the debate with respect to the part of the banks, see H. Neuberger and H. H. Stokes, 'German banks and German growth: an empirical view', *Journal of Economic History*, 34 (1974); R. Fremdling and R. Tilly, 'German banks, German growth and econometric history', *Journal of Economic History*, 36 (1976); H. M. Neuberger and H. H. Stokes, 'German banks and German growth: Reply', *Journal of Economic History*, 36 (1976); J. Komlos, 'The *Kreditbanken* and German growth: a post-script', *Journal of Economic History*, 38 (1978); R. Tilly, 'Mergers, external growth, and finance in the development of large-scale enterprise in Germany, 1880–1913', *Journal of Economic History*, 42 (1982); idem, 'German banking, 1850–1914: development assistance for the strong', *Journal of European Economic History*, 15 (1986). Nearly all these contributions to the basic literature have recently been reprinted in R. Cameron (ed.), *Financing Industrialization*, 2 vols (Aldershot, 1992), which also contains relevant 'revisionist' material for other countries.

³⁸ M. Lévy-Leboyer and M. Lescure, 'France', in R. Sylla and G. Toniolo (eds), *Patterns of European Industrialization*; M. Lescure, 'Les banques et le financement des PME dans la France des années 1920', *Entreprises et Histoire*, 1 (1992); D. Ziegler, 'The origins of the "Macmillan Gap": Britain and Germany in the twentieth century', paper presented to the International Workshop on Banks and Customers, London School of Economics (September, 1991); and P. Thomes, 'German savings banks as instruments of regional development up to World War Two', paper presented to International Conference on Financial Institutions and Financial Markets in Twentieth Century Europe and North America, Zürich (May, 1993).

advantage in that respect. Thirdly, a new theoretical framework, inspired by the theories of asymmetrical information and portfolio management, has become increasingly used by historians as a tool of analysis.³⁹ Banks are increasingly now viewed as playing a major part in the production and distribution of information concerned with the risks and returns of financial investments, while their role, and that more generally of financial intermediaries, primarily consists in correcting the asymmetry of information at the disposal of the borrower and the lender.

The too often neglected question of financial innovation is best seen in this context. Economic growth cannot be explained without taking account of the continuous discovery of new financial instruments which have facilitated international trade and industrial growth, from the first use of bills of exchange for international transactions by Italian bankers in the early modern period⁴⁰ to the revolution in the gathering and diffusion of information in the 1970s and 1980s, leading to the coining of the term 'information technology'; or through the beginnings of deposit banking in eighteenth-century Scotland;⁴¹ or again, through the conception of investment banking, from Jacques Lafitte to the Pereire brothers,⁴² in nineteenth-century France. These and many other innovations have made the fortunes of, or sometimes ruined, their initiators.⁴³ Contrary to a technical invention with an industrial application, they are not protected by patents and spread

³⁹ Some of the theoretical literature which is now shaping the approach of financial historians includes: T. Campbell and W. Kracaw, 'Information production, market signalling and the theory of financial intermediation', *Journal of Finance*, 4 (1980); J. Fried and P. Howitt, 'Credit rationing and implicit contract theory', *Journal of Money, Credit and Banking*, 12 (1980); J. E. Stiglitz and A. Weiss, 'Credit rationing in markets with imperfect information', *American Economic Review*, 71 (1981); H. Bester, 'Screening versus rationing in credit markets with imperfect information', *American Economic Review*, 73 (1983); O. E. Williamson, *The Economic Institutions of Capitalism* (New York, 1985); H. R. Varian, 'Differences of opinion in financial markets', in C. C. Stone (ed.), *Financial Risk: Theory, Evidence and Implications* (Boston, Mass., 1987).

⁴⁰ R. de Roover, *L'Évolution de la lettre de change XIV^e–XVIII^e siècle* (Paris, 1953); and, on the contribution of Dutch bankers, H. van der Wee, 'Anvers et les innovations de la technique financières aux XVI^e et XVII^e siècles', *Annales ESC*, 22 (1967).

⁴¹ S. G. Checkland, *Scottish Banking History, 1695–1973* (Glasgow, 1975); C. W. Munn, *The Scottish Provincial Banking Companies 1747–1864* (Edinburgh, 1981); idem, 'The coming of joint-stock banking in Scotland and Ireland, c. 1820–1848', in T. Devine and D. Dickson (eds) *Ireland and Scotland 1600–1850* (Edinburgh, 1983).

⁴² F. Redlich, 'Jacques Lafitte and the beginnings of investment banking in France', *Bulletin of the Business Historical Society*, 22 (1948); D. S. Landes, 'Vieille Banque et Banque Nouvelle: la révolution financière du dix-neuvième siècle', *Revue d'Histoire Moderne et Contemporaine*, 3 (1956), translated as 'The Old Bank and the New: the financial revolution of the nineteenth century', in F. Crouzet, W. H. Chaloner and W. M. Stern (eds), *Essays in European Economic History* (1969); R. E. Cameron, *France and the Economic Development of Europe* (Princeton, NJ, 1961); B. M. Ratcliffe, 'Some banking ideas in France in the 1830s. The writings of Emile and Isaac Pereire 1830–35', *Revue Internationale d'Histoire de la Banque*, 10 (1975); and J. Autin, *Les Frères Pereire: le bonheur d'entreprendre* (Paris, 1984).

⁴³ F. Redlich, 'Two nineteenth century financiers and autobiographers. A comparative study in creative destructiveness and business failure', *Economy and History*, 10 (1967).

very rapidly. This has greatly magnified their rapid impact and this whole area requires further analysis.

The second facet of the interconnection between financial history and economic history is the contribution of monetary factors to economic growth. Over the past three decades monetary history has been one of the fastest growing fields, with research spurred particularly by the publication of Friedman and Schwartz's seminal volume.⁴⁴ The inflationary experience of the closing decades of the present century led by its very experience to a further theoretical review of the role of money, with the conclusion that money did matter. The buttressing of that conclusion called for long-term historical investigation of the relationships between money and the real economy, with Friedman's work providing a model for others. To take Britain as simply one example, it has resulted in endeavours of varying kinds – debating pamphlets, the compilation of existing statistical sources and the construction of new monetary series – by Walters, Shepherd and, most recently, by Capie and Webber.⁴⁵ Although the full digestion of the implications of these studies and others⁴⁶ is still incomplete, their ramifications are substantial and have created further controversy. Friedman's view of the responsibility of the 'Fed' for the onset of the 'Great Slump' has, for example, led to further rounds of research and yet more 'revisionism', of which the most recent is Wheelock's monograph.⁴⁷

Late twentieth-century inflation not only caused a necessary bout of theoretical introspection and re-examination, which brought together economics, statistics and history – the Schumpeterian triumvirate – and added econometrics, but has given rise to other, broader studies, of which some are in a more traditional vein. This has been nowhere more the case than with respect to the German 'great inflation' of the early 1920s, with all its implications for society and politics, as well as the course of the real economy, let alone Europe and the world.⁴⁸

⁴⁴ M. Friedman and A. J. Schwartz, *A Monetary History of the United States, 1867–1960* (Princeton, NJ, 1963). This is not to overlook the real indicator, heralding a change in attitudes and approaches – M. Friedman (ed.), *Studies in the Quantity Theory of Money* (Chicago, Ill., 1956).

⁴⁵ A. A. Walters, *Money in Boom and Slump*, Hobart Paper 44 (1969); D. K. Sheppard, *The Growth and Role of UK Financial Institutions 1880–1962* (1971); F. Capie and A. Webber, *A Monetary History of the United Kingdom*, vol. I, *Data, Sources, Methods* (1985); an analytical study is promised.

⁴⁶ Comparable work on French monetary history includes M. Saint-Marc, *Histoire monétaire de la France 1800–1980* (Paris, 1983); and J. P. Patat and M. Lutfala, *Histoire monétaire de la France au XXe siècle* (Paris, 1986).

⁴⁷ D. C. Wheelock, *The Strategy and Consistency of Federal Reserve Monetary Policy, 1924–1933* (Cambridge, 1991).

⁴⁸ For example, O. Bosch and G. D. Feldman (eds), *Historische Prozesse der deutschen Inflation. Ein Tagungsbericht* (Berlin, 1978); G. D. Feldman et al. (eds), *Die deutsche Inflation. Eine Zwischenbilanz* (Berlin, 1982); G. D. Feldman, C.-L. Holtfrerich, G. A. Ritter and P. C. Witt (eds), *The Experience of Inflation: International and Comparative Studies* (Berlin, 1984); C.-L. Holtfrerich, translated by T. Balderston, *The German Inflation, 1914–1923: Causes and Effects in International Perspective* (Berlin, 1986); M. L. Hughes, *Paying for the German Inflation* (Chapel Hill, NC, 1988); A. W. Kunz, *Civil Servants and the Politics of Inflation and Stabilization in Germany 1914–1924* (Berkeley, Cal., 1983);

IV

International finance is undoubtedly one of the most fascinating themes in history. Dynasties of international private bankers, such as the Rothschilds⁴⁹ in the nineteenth century or the Morgans in the twentieth century, captured the contemporary popular imagination because of their legendary wealth, their real and mythical power, both apparently deriving from their involvement in large-scale international financial operations, particularly in wartime or periods of heightened diplomatic tension. They epitomise the multifaceted relationships between finance and diplomacy.

The export of capital is at the core of all questions related to the history of international finance. It is a huge question which ranges from technical matters to high politics. On the technical side, on which all general interpretations ultimately depend, the amount, direction and forms of foreign investments have remained an important area of investigation. All evaluations of the amount of capital exported, whether before 1914 or since, remain highly uncertain and are therefore regularly re-estimated.⁵⁰ The most recently established new consensus, however, concerns the forms of capital exports: direct investment and portfolio investment.⁵¹ It now clearly appears that the former had been vastly underestimated, especially in the case of the experience of the largest capital exporter before 1914: Britain. This has had far-reaching implications, not only in an evaluation of the role of multinational companies, but also in the more general question of the effects of capital exports.⁵²

Capital exports have, from their very beginning, been linked with the question

R. G. Moeller, *German Peasants and Agrarian Politics 1914–1924: The Rhineland and Westphalia* (Chapel Hill, NC, 1986).

⁴⁹ The extent of the continuing fascination is indicated by David Landes' comment that 'A library has been written on this family': in terms of just the scholarly examination of the Rothschilds' rise to prominence the best, along with Gille's work, are C. W. Berghöffer, *Meyer Amschel Rothschild, der Gründer des Rothschildischen Bankhauses* (Frankfurt, 1923); R. Ehrenberg, *Grosse Vermögen*, vol. I, *Die Fugger-Rothschild-Krupp* (Jena, 1925); E. Corti, *The Rise of the House of Rothschild* (New York, 1928); J. Bouvier, *Les Rothschilds* (Paris, 1967); S. D. Chapman, 'The foundation of the English Rothschilds', *Textile History*, 8 (1977); and idem, *N. M. Rothschild, 1777–1836* (privately printed, 1977).

⁵⁰ For example, D. C. M. Platt, *Britain's Investment Overseas on the Eve of the First World War: The Use and Abuse of Numbers* (1986), but also C. Feinstein, 'Britain's overseas investments in 1913', *Economic History Review*, 2nd ser., 43 (1990). For France, see M. Lévy-Leboyer, 'La Balance des paiements et l'exportation des capitaux français', in M. Lévy-Leboyer (ed.), *La Position internationale de la France: aspects économiques et financiers* (Paris, 1977).

⁵¹ The 'touchstone' was P. Svedberg, 'The portfolio-direct composition of private foreign investment in 1914 revisited', *Economic Journal*, 88 (1978), with one example of the 'revisionist' consequences being I. Stone, 'British direct and portfolio investment in Latin America before 1914', *Journal of Economic History*, 27 (1977). A yet further reinterpretation arises from M. Wilkins, 'The free-standing company, 1870–1914: an important type of British foreign direct investment', *Economic History Review*, 2nd ser., 41 (1988).

⁵² R. Cameron and V. I. Bovykin (eds), *International Banking 1870–1914* (New York, 1991).

of imperialism. For generations the main issue has revolved around the determination of the primary explanatory factor: economic or political? This continues to lurk in the background behind all discussions of imperialism, even though research has now shown that the global regions receiving foreign investment did not necessarily coincide with the exporting economies' political colonies. Nevertheless, Jacques Marseille has recently proposed a new chronology for the relationships between France and its empire by emphasising the relative importance of the empire as an area of French capital exports.⁵³ Cain and Hopkins, for their part, in their recently published two volumes see the dominant position of finance, and more generally of the service industries, in British economy and society as the main force behind British imperialism.⁵⁴

The causes and consequences of capital exports, both for the exporting and importing countries, remain one of the central themes in international financial history. Here again, some of the old polemics have been replaced by a more consensual view. On the whole, capital exports are not considered to have greatly harmed the domestic economies of either the major exporting countries – Britain⁵⁵ and France – or the smaller European countries such as Belgium, the Netherlands and Switzerland, before 1914. The effects on the importing countries are too diverse to be simply judged in terms of positive or negative. It can still be strongly argued that in some cases it ended in a loss of sovereignty – Egypt, Tunisia and, to a certain extent, the Ottoman Empire being the most obvious examples. However, foreign investments were not necessarily translated into 'economic' or 'business' imperialism.⁵⁶ Although a generation ago multinational enterprises were often regarded as the very symbol of economic imperialism, in recent years both developed and developing countries have been competing to attract such foreign investments.

International finance is also affected by the prevailing international monetary conditions. The apparently smooth operation of the pre-1914 gold standard has fascinated many and has come to appear as an ideal for many subsequent policy-makers. Its almost frictionless operation has been attributed to a particular combination of circumstances, among them being Britain's dominant position in the world economy and the role of the City and the pound sterling in international settlements.⁵⁷ However, the apparent automatic nature of its mechanisms offers little scope for the analysis of the actions of the governments or the central banks, although not all of the latter played by the 'rules of the game'. The international conferences which repeatedly during the last quarter of the nineteenth century

⁵³ J. Marseille, *Empire colonial et capitalisme français. Histoire d'un divorce* (Paris, 1984).

⁵⁴ P. J. Cain and A. G. Hopkins, *British Imperialism: Innovation and Expansion 1688–1914*, and *British Imperialism: Crisis and Deconstruction 1914–1990* (1993).

⁵⁵ S. Pollard, 'Capital exports, 1870–1914': harmful or beneficial?', *Economic History Review*, 2nd ser., 38 (1985).

⁵⁶ D. C. M. Platt (ed.), *Business Imperialism 1840–1930* (Oxford, 1977).

⁵⁷ S. N. Broadberry and N. F. R. Crafts (eds), *Britain in the International Economy 1870–1939* (Cambridge, 1992).

debated the relative merits of introducing a global bimetallic standard never seemed likely in practice to reverse the growing ascendancy of gold, and consequently have been either ignored or treated as historical curiosities. In contrast, politics, economics and monetary conditions were never more closely interwoven than in the interwar years. The failings in cooperation between central bankers, the doubts existing about the merits of the Gold Exchange Standard, the disrespect for the 'rules of the game', the 'politicization' of monetary issues; all these factors had a direct effect not only on monetary conditions but also on the economic depression, and ultimately on political instability.⁵⁸

V

At first sight financial history might appear as the antithesis of social history. Yet this overlooks the fact that social historians, after having been almost exclusively concerned with the working classes, in the last two decades have shifted the centre of their interest to the middle classes. Although full members of middle classes, bankers cannot readily be placed alongside industrialists or even other professional groups. Studies have shown, for example, that in all industrialising countries during the nineteenth century private bankers constituted the richest business group – in Germany dominated by the Ruhr as much as in Britain dominated by the City of London.⁵⁹ Bankers were also the first business group to rise to prominence and to establish close links with the landed aristocracy.⁶⁰ These characteristics have led some authors to consider nineteenth-century private bankers as an 'aristocratic bourgeoisie'.⁶¹ Over the course of the twentieth century, however, the distinction between bankers and other business groups has become less relevant as the banking and financial worlds have become dominated by the senior executives of the large joint stock banks.

The prominent role of religious minorities in banking has understandably aroused much interest, with the causal relationship between minority status and business

⁵⁸ Generally see B. Eichengreen, *Golden Fetters: The Gold Standard and the Great Depression, 1919–1939* (New York, 1992); while solely in the case of Britain continuing work is represented by R. W. D. Boyce, *British Capitalism at the Crossroads 1919–1932: A Study in Politics, Economics, and International Relations* (Cambridge, 1987), and P. Williamson, *National Crisis and National Government: British Politics, the Economy and the Empire, 1926–1932* (Cambridge, 1992). More generally, see H. James, 'Financial flows across frontiers during the interwar depression', *Economic History Review*, 45 (1992) and *Contemporary European History*, 1.3 (1992), which consists of contributions considering central banking during the interwar period.

⁵⁹ W. D. Rubinstein, *Men of Property* (1981); D. L. Augustine-Perez, 'Very wealthy business men in Imperial Germany', *Journal of Social History*, 22 (1988/9).

⁶⁰ Y. Cassis, 'Bankers in English society in the late nineteenth century', *Economic History Review*, 2nd ser., 38 (1985).

⁶¹ J. Harris and P. Thane, 'British and European bankers 1880–1914: an "aristocratic bourgeoisie"?', in P. Thane, G. Grossick and R. Floud (eds), *The Power of the Past: Essays for Eric Hobsbawm* (Cambridge, 1984).

success having been discussed almost endlessly.⁶² The tight network of relationships, both at a national level – for example, the Quakers in Britain – and at an international level – the Protestant bank in eighteenth-century France, or Jewish banking families in nineteenth- and twentieth-century Britain and America, most of German origin – has been a favoured area of investigation.⁶³

The importance of financial history for social historians is not limited to the upper stratum of the banking world, to which the religious minorities undoubtedly belonged. The world of bank clerks has hardly been studied by historians,⁶⁴ and this neglect also includes the entire modern and contemporary world of employees in general, together with those specifically classified as white-collar workers. There is here a potentially very rich field, where financial history should naturally meet women's history, given the increasing proportion of female labour employed in banking and insurance since the First World War and even more so after 1945. Financial history is also relevant to other aspects of the social history of the working classes, as with regard to their savings and borrowings, which were initially catered for by various types of popular and savings banks as well as by local wealthy individuals.⁶⁵

VI

The theme of finance and politics has long been associated, both on the left and the right, with the notion of money power, of collusion between politicians and financiers, if not of manipulation of the former by the latter. The myth of the '200 families' in France is one of the best illustrations of a popular belief to be found in all countries. Here again, research undertaken in the last few decades has shown that these were mainly unfounded notions.⁶⁶ Although it would be naive to believe that bankers and financiers cannot exert political influence, which in some cases could be very strong, the autonomy of the state has by now been fairly well established. The question has also been raised, particularly in Britain, of whether bankers were capable of exerting a stronger political influence than other business

⁶² N. T. Gross, 'Entrepreneurship of religious and ethnic minorities', in W. Mosse and H. Pohl (eds), *Jüdische Unternehmer in Deutschland im 19. und 20. Jahrhundert* (Stuttgart, 1992).

⁶³ See, for example, H. Lüthy, *La Banque protestante en France*, 2 vols (Paris, 1959, 1961); B. Supple, 'A business elite: German-Jewish financiers in nineteenth century New York', *Business History Review*, 21 (1957); and P. W. Matthews and A. W. Tuke, *History of Barclays Bank Limited* (1926). L. Hannah is currently preparing a further history of Barclays and is once more paying attention to its Quaker origins.

⁶⁴ But see G. Anderson, *Victorian Clerks* (Manchester, 1976); E. Green, *Debtors to their Profession: A History of the Institute of Bankers 1879–1979* (1979); and H. M. Boot, 'Salaries and career earnings in the Bank of Scotland 1730–1880', *Economic History Review*, 44 (1991).

⁶⁵ See, for example, P. Johnson, *Saving and Spending: The Working Class Economy in Britain 1870–1939* (Oxford, 1985).

⁶⁶ See J. N. Jeanneney, 'Les "dynasties bourgeoises" de Beau de Loménie', in J. N. Jeanneney (ed.), *L'Argent caché* (Paris, 1984); and R. Sédillot, *Les Deux Cents familles* (Paris, 1988).

groups, in particular industrialists. Has British industry been sacrificed to the interests of finance? This remains a controversial issue in the historiography, as can be seen, for example, by the divergent analyses of the return to gold in 1925.⁶⁷

Public finance is another important field at the crossroads between financial history and political history. This theme has been a privileged area of research for the financial historians of the *ancien régime*, particularly in France, when 'finance' in fact meant state finances – budget, tax collection – as opposed to private finance – banks, investment etc. This reflects the fact that the public and private spheres were, to a great degree, intermingled.⁶⁸ Their increasing separation from the nineteenth century on has meant that public finance has become an object of study in its own right, although it has not aroused the same degree of interest as private finance. Taxation, for example, remains a comparatively neglected area of research, together with budgetary policy, which includes the study of the institutional framework of policy-making, that is of the various ministries of finance and their senior officials.⁶⁹

State regulation and state intervention have become a prime area of interest in the review of the relationships between finance and politics. Direct intervention was comparatively rare before the Second World War, generally only occurring in times of crisis. Then, however, it could be very forceful, as in Germany in 1931, when the state took control of the three big banks, holding 91 per cent of the capital of the Dresdner Bank, 70 per cent of the Commerzbank and 35 per cent of the Deutsche Bank coupled with managerial changes.⁷⁰ The banks, however, returned to private hands during the Nazi period. The state could also decide to take control of the main financial institutions by nationalising them. Among Western European countries, France went furthest in that direction with the

⁶⁷ The controversy began with J. M. Keynes, *The Economic Consequences of Mr Churchill* (1925), which has created in turn an ongoing academic industry. One useful collection is S. Pollard (ed.), *The Gold Standard and Employment Policies between the Wars* (1970), yet this proved to be only an interim report; see D. E. Moggridge, *British Monetary Policy 1924–1931: The Norman Conquest of \$4.86* (Cambridge, 1972); L. S. Pressnell, '1925: the burden of sterling', *Economic History Review*, 2nd ser., 31 (1978); N. H. Dimsdale, 'British monetary policy and the exchange rate, 1920–1938', and J. F. Wright, 'Britain's inter-war experience', both in *Oxford Economic Papers*, new ser., 33 (1981); J. Redmond, 'The sterling overvaluation in 1925: a multilateral approach', *Economic History Review*, 2nd ser., 37 (1984); E. F. Jones, 'The regional impact of an overvalued pound in the 1920s', *Economic History Review*, 2nd ser., 38 (1985); K. G. P. Matthews, 'Was sterling overvalued in 1925?', *Economic History Review*, 2nd ser., 39 (1986); Boyce, *British Capitalism at the Crossroads*; idem, 'Creating the myth of consensus: public opinion and Britain's return to the gold standard in 1925', in P. L. Cottrell and D. E. Moggridge (eds), *Money and Power: Essays in honour of L. S. Pressnell* (1988); J. Remond, 'Was sterling overvalued in 1925? A comment', and K. G. P. Matthews, 'Was sterling overvalued in 1925? A reply and further evidence', both in *Economic History Review*, 2nd ser., 43 (1989).

⁶⁸ D. Dessert, *Argent, pouvoir et société au Grand Siècle* (Paris, 1984).

⁶⁹ H. Roseveare, *The Treasury* (1969); R. Middleton, *Towards the Managed Economy* (1985); P. Clark, *The Keynesian Revolution in the Making 1924–1936* (Oxford, 1988); M. Margairaz, *L'Etat, les finances et l'économie: histoire d'une conversion, 1932–1952* (Paris, 1991).

⁷⁰ K. E. Born, *Die deutsche Bankenkrise, 1931* (Munich, 1967).

nationalisation of the deposit banks – although not the *banques d'affaires* – and insurance companies in 1946.⁷¹ But the state has other forms of intervention at its disposal. The English joint stock banks, for example, were not nationalised after the Second World War, but the state came to control their activities through the Bank of England, for example, by fixing their cash ratios, the amount of their reserves or even by giving them precise directives for lending.

The regulation of banking activities by the state has become widespread since the crisis of the early 1930s, with banking laws passed in Germany in 1931 and 1934, the United States in 1933, Sweden and Switzerland in 1934, Belgium in 1935 and France in 1941, with the object of increasing state supervision and protecting depositors. The effects of regulation, of course, greatly varied from country to country. In Germany, for example, the separation between deposit and investment banking, on the model of the American Glass-Steagall Act, remained an unfulfilled objective, whereas it was implemented in Belgium, a country where universal banking was pioneered some two decades before its corporate emergence within the German states.⁷² The effects of regulations are decisive on the banking activities of a country, and it is in this particular respect, rather than on matters of grand political designs, that banking lobbying is at its strongest. This is particularly visible in the competition for prominence between international financial centres,⁷³ where the degree of regulation can play a major role in attracting or deterring business.

VII

This editorial has neither sought to establish an agenda for the journal nor to define in close, exact terms the nature of financial history. Rather, it has had the very simple intent of trying to display the catholic scope of our interest. Even so, the demonstration here has been limited by both space available and the particular interests of the authors. Restrictions arising from linguistic capabilities have meant that the growing body of literature concerned with Japanese financial development has not been addressed.⁷⁴ Omissions have necessarily arisen, to our regret, especially with respect to the United States; and the lack of a mention, or of a reference, should not be taken to have some deeper significance. The present purpose has not been to give voice to some particular sectarian view, but to try and indicate that this journal represents a broad church, within both financial history and history.

⁷¹ C. Andrieu, L. Le Van and A. Prost (eds), *Les Nationalisations de la libération* (Paris, 1986).

⁷² G. Kurgan van Hentenryk, 'Finance and financiers in Belgium 1880–1960', in Cassis (ed.), *Finance and Financiers*; C. Andrieu, *Les Banques sous l'occupation* (Paris, 1990); H. Bänziger, *Die Entwicklung der Bankenaufsicht in der Schweiz seit der 19. Jahrhundert* (Bern, 1986).

⁷³ See G. Jones, 'International financial centres in Asia, the Middle East and Australia: a historical perspective', in Cassis (ed.), *Finance and Financiers*.

⁷⁴ An indication of the richness of the Japanese historiography is provided by K. Ishii, 'Japan', in Cameron and Bovykin, *International Banking*.